Supreme Court, U. S.
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IN THE

Supreme Court of the United States

October Term, 1979

No. 79-1505

ALBERT C. DREBIN and BUDGET FILMS, INC., a California corporation,

Petitioners,

vs.

CYRIL RUSSELL, as TRUSTEE of the ROYAL ACADEMY OF DRAMATIC ART, THE RIGHT HONOURABLE ERIC GEORGE MOLYNEUX, BARON FLETCHER P.M., as TRUSTEE of the BRITISH MUSEUM, TERENCE DE VERE WHITE, as TRUSTEE of the NATIONAL GALLERY OF IRELAND and JANUS FILMS, INC., a corporation,

Respondents.

BRIEF OF RESPONDENTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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Respondents.

BRIEF OF RESPONDENTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

Respondents oppose the Petition for a Writ of Certiorari filed on behalf of Petitioners as follows:

I.

Opinions Below.

Petitioners have failed to cite or annex the opinions of the District Court for the Central District of California. The memorandum opinion on the subject of liability (copyright infringement) is reprinted as Appendix 1 attached hereto.

It is reported at 448 F.Supp. 303 (C.D. Cal. 1977). The memorandum opinion on the subjects of damages and attorneys' fees are reprinted as Appendices 2 and 3 respectively attached hereto. They are not officially reported.

The opinion of the United States Court of Appeals for the Ninth Circuit is officially reported at 612 F.2d 1123 (9th Cir. 1979), reh. den. February 19, 1980.

II.

Jurisdiction.

The judgment of the Court of Appeals was entered on December 18, 1979. This Court has jurisdiction to review the judgment by Writ of Certiorari under 28 U.S.C. §1254(1).

III.

Statement of the Case.

A. Nature of the Case and Proceedings Below.

On September 25, 1977, petitioners appealed prematurely from an interlocutory order entered on September 20, 1977 [CR 650-651] of the United States District Court for the Central District of California, the Honorable Jesse W. Curtis, Judge presiding, granting partial summary judgment in favor of respondents on the issue of liability for copyright infringement. CR 478-479 and 557-584. *Chappel & Co., Inc. v. Palermo Cafe Co., Inc.*, 249 F.2d 77, 80 (1st Cir. 1957).

Final judgment was not entered until June 6, 1978. CR 876-877. Respondents appealed from so much of that judgment as awarded them damages of only $3,700.00 against petitioners. CR 893-894. Petitioners also appealed on the issue of damages. CR 887. Subsequently, the three appeals were consolidated.

This is an action for copyright infringement of the overall literary work PYGMALION [CR 1-9], not merely the derivative (motion picture) version thereof as petitioners suggest. It arises under the copyright laws of the United States, Title 17, United States Code, and jurisdiction of this Court is founded on Title 28, United States Code, Section 1338.

In addition to petitioners, the complaint named Sarb Corporation, Daniel A. Price and Ellen Drebin as defendants. At the outset of this litigation, the Sarb Corporation, which operated a motion picture theater and had rented PYGMALION from petitioner Budget Films, Inc. and publicly exhibited it, stipulated to a permanent injunction [CR 72-74] and was not further involved in the litigation.[1] Sebsequent to petitioners' first appeal, the action was dismissed as to defendants Daniel A. Price and Ellen Drebin.

On November 10, 1977, the District Court enjoined petitioners from further exploiting PYGMALION. Thereafter, respondents moved for summary judgment on the remaining issues, seeking statutory damages [under former 17 U.S.C. 101(b)] and attorney's fees. CR 729-756. Said motion was thereafter granted and respondents were awarded "damages" of $3,700.00 and attorney's fees of $10,000.00. CR 868-871.

Petitioners' motion to set aside the judgment [CR 879-886] was denied. CR 924. The District Court felt that statutory damages would have been excessive, so, in arriving at the sum of $3,700.00, it "sought to divide it." RT of June 26, 1978, 3:11-17.

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[1] *C.F.*, petitioners' new and totally undocumented assertion that they rented PYGMALION to colleges and private individuals. Petition, p. 7.

B. Statement of Facts.

The facts of this case are totally uncontroverted; petitioners filed no affidavits controverting any facts set forth in respondents' motions for summary judgment.

Prior to August 30, 1913, George Bernard Shaw (hereafter "Shaw") wrote a new and original play entitled "PYGMALION" (hereafter sometimes referred to as "the work"). On August 30, 1913, Shaw registered the work for copyright. CR 69.

In the last year of the original (28 year) term of copyright on the work, Shaw obtained the renewal copyright. CR 68. By a series of interim enactments pending revision of the Copyright Law, Congress extended the second (or renewal) term of copyright. See former 17 U.S.C. §24. Such works now fall within the provisions of 17 U.S.C. §304(b) which extends the copyright life to a term of 75 years from the date copyright was originally secured.

As hereafter described, all respondents except Janus Films, Inc. (hereafter the "Trustees") are owners and holders of the renewal copyright in and to the work.

Shaw died testate on November 2, 1950, a citizen of the United Kingdom. CR 162. By his will, he appointed the Public Trustee of Great Britain as his sole executor and trustee. CR 306-316. Shaw's will bequeathed all of his copyrights in trust to the Public Trustee for the benefit of the British Museum, The National Gallery of Ireland, and The Royal Academy of Dramatic Art (hereafter collectively "the Corporations"). CR 313. By deed dated March 7, 1968, the Public Trustee assigned to the Corporations, in trust, all copyrights held in the name of Shaw and the Public Trustee. CR 332-336. The Trustees are the currently acting trustees under Shaw's will.

In 1938, a derivative version of the work, a motion picture, was produced by Gabriel Pascal. The screenplay, written by Shaw, was based upon the play and starred Leslie Howard and Wendy Hiller. CR 372. In advertising, petitioners admitted that the motion picture is an "adaptation"[2] of the work. CR 91:3-18 and 100:13. Petitioners further admitted that the plot of the motion picture is essentially the same as the plot of the work. CR 250:16-18. And the trial court found that the motion picture embodied substantial portions of the theme, plot, incidents and characters acting out sequences taken from the work and that the film was a dramatic version of the work. CR 554:20-25.

First term copyright on the motion picture adaptation was obtained by Loew's, Inc. in 1938, and it was originally distributed in the United States by Metro-Goldwyn-Mayer Corporation. CR 372. This derivative copyright was not renewed. CR 42:22 to 49:15.

In 1971, by written agreement, Valeria Pascal (Delacorte) and The Society of Authors as agents for the Shaw Estate, granted the exclusive distribution rights in PYGMALION to respondent Janus Films, Inc. (hereafter "Janus"). CR 297-305. Said agreement was before the District Court on motion for summary judgment. At no time did petitioners attempt to rebut or dispute any of the recitals or statements therein contained. They show that ownership, possession and control of the negative was in Mrs. Pascal [CR 297 (par. C) and 298 (par. 2)], that the Shaw Estate held the literary rights [CR 297 (par. C)], and that, collectively Janus' licensors held the exclusive distribution rights [CR 300] and transferred them to Janus. CR 299. Because of

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[2]Petitioners never contended in the District Court that the motion picture was a "partial" adaptation as they now suggest. Petition, p. 2.

this uncontroverted proof, it was unnecessary for respondents to show that the distribution rights once held by Metro-Goldwyn-Mayer and Loew's, Inc. had expired.

Pursuant to a power of attorney dated January 21, 1975, the Trustees appointed Janus to represent them. CR 639-642. By document recorded with the Register of Copyrights on September 23, 1976 [CR 629-635 and 365-371], the Public Trustee confirmed the above-referred to assignment of the underlying renewal copyright in PYGMALION to the Corporations and the administration thereof by the Trustees; the Trustees confirmed their acceptance of the said copyright renewal assignment and their ownership of the said renewal copyright, acknowledged the exclusive distribution rights of Janus, and authorized Janus to enforce their exclusivity as copyright holders of the work.

In October, 1972, Janus discovered that petitioners were distributing copies of the motion picture version of the work which were obtained from a then unknown source. CR 547:29-32. In December, 1972, Janus commenced an action in the Superior Court of Los Angeles County alleging unfair competition, interference with prospective business relations, and violation of certain California statutes. CR 546:26-551:12.[3] That action was terminated in petitioners' favor. Concluding that copyright infringement was "one substantial portion of unfair competition" [CR 533],[4] the California Court of Appeal determined that Janus' action

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[3]Petitioners' statement in the petition [p. 3] that Janus "stressed the absence of any copyright protection" is completely erroneous. The very same copyright information presented to the District Court was before the California courts.

[4]The first United States Copyright Act was enacted in 1790; it was patterned after earlier English legislation, the Statute of Anne. *Wheaton v. Peters*, 33 U.S. (8 Peters) 591 (1834). On the other hand, the tort of unfair competition is a product of this century. *Capitol Records v. Erickson*, 2 Cal.App.3d 526, 536 (fn. 6) (1969).

was only for copyright infringement over which the state court lacked jurisdiction. CR 530-539. However, that decision foreshadowed the decision herein, the Court stating [CR 535]:

"If Budget's distribution is without authorization from those who can control the exploitation of the films by virtue of certain copyrights, then that distribution would be an infringement of those copyrights."

In fact, petitioners' distribution is "without authorization from" the copyright owners who "control the exploitation of the films." Petitioners admit that they have never received any authority to distribute "PYGMALION" and assert that their position is based solely upon the alleged public domain character of PYGMALION and the right of free alienation. CR 246:5-28; 403:24-404:3.

In 1972, petitioners purchased three prints of PYGMALION from one Dan Price at a price barely in excess of the cost of raw film stock ($165.00 each). 246:13-22; 136:20-28; and 404:4-25. At no time did petitioners ever dispute this fact or claim that their prints were purchased from Metro-Goldwyn-Mayer or Loew's or anyone in a chain of title from Metro-Goldwyn-Mayer or Loew's. The reference to "Petitioner, as the vendee" [Petition, p. 6] is a fabrication unsupported by the record.

In a declaration [CR 134-138], petitioner, Albert C. Drebin, said that his prints of PYGMALION were not of high grade quality, but, rather, were "dupes". CR 136:20 to 137:27. For these reasons, petitioners could and did advertise the rental of the film in its catalogue for only $25.00. CR 91:1-2. Petitioners admitted such a rental for public exhibition by a motion picture theater (Sarb Corporation) in 1974. CR 92:1-4 and 100:23.

From in or about 1952 until 1971, the motion picture version of PYGMALION was voluntarily withdrawn from public distribution in order to avoid competition with the stage play and subsequent motion picture based upon PYGMALION, both entitled MY FAIR LADY. During those 19 years, no rights to distribute or exhibit the motion picture PYGMALION were given to anyone. CR 828:2-10.

Pursuant to the contract by which Janus acquired the right to distribute PYGMALION, it advanced or paid royalties for the distribution rights to PYGMALION of over $29,-800,00 and had the obligation to continue to make such payments. CR 744-745. It is for this reason that Janus' rental price (which is not in the record) was higher than petitioners'.

IV.

Argument.

A. Rohauer v. Killiam Shows, Inc. Is Not Applicable to the Facts Here, and Does Not Conflict With the District Court or Ninth Circuit Decisions in Russell v. Price on the Issue of Liability.

Both the District Court and the Ninth Circuit found *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), cert. den., 431 U.S. 949, 97 S.Ct. 2666, 53 L.Ed. 266 (1977), inapplicable to the facts of this case. Nevertheless, petitioners misinterpret *Rohauer* and miscast the facts.

As shown above in the fact statement, petitioners repeated references to their alleged position vis-a-vis Metro-Goldwyn-Mayer and/or Loew's is erroneous. Whatever rights Metro-Goldwyn-Mayer and/or Loew's had in the motion picture have expired and reverted to respondents. Petitioners never bought anything from Metro-Goldwyn-Mayer, Loew's or any successor thereto. And they never acquired any license or right to distribute the motion picture version of the

work. All they ever "purchased" was three "dupe" prints from an individual (Dan Price) who could not convey anything but bare film stock.

The false factual setting offered by petitioners is compounded by an unwarranted and legally erroneous assumption that copyright attaches to the physical property (the prints) in their possession (as opposed to the literary expressions embodied therein) and that the "prints" can somehow fall into the public domain. Petition, p. 7.

Said position is maintained despite petitioners' citation of former 17 U.S.C. §27 [Petition, p. 11] which has been reenacted in similar form as 17 U.S.C. §202. From these statutes, it is clear that copyright is an intangible property; it does not apply to a particular physical reproduction (such as a film print), but, rather, to the author's expression. Therefore, upon expiration of the copyright on the motion picture version, the only matter which could have become dedicated to the public was that new matter first written for the motion picture. And where the new matter is used in a derivative version in conjunction with matter protected by the underlying copyright, it constitutes infringement of the work to exploit it. *Grove Press, Inc. v. Greenleaf Publishing Co.*, 247 F.Supp. 518, 527 (E.D.N.Y. 1965).

Because *Rohauer* was so distinguishable factually from this case, the Ninth Circuit found it possible to affirm without reference to the well-established and here controlling copyright principle that the expiration of a derivative copyright does not dedicate the underlying work to the public domain. 612 F.2d 1128. 1 *Nimmer on Copyright* §3.04 (1979); *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir.) cert. den. 342 U.S. 849, 72 S.Ct. 77, 96 L.Ed. 641 (1951). See also 17 U.S.C. §101 defining "derivative work".

Although the Court of Appeals did not base its holding exclusively on this principle, in addition to the *Ricordi* case it does cite a number of cases all of which are much closer factually to the instant case than *Rohauer*. *Grove Press, Inc. v. Greenleaf Publishing Co. supra; Filmvideo Releasing Corp. v. Hastings*, 426 F.Supp. 690 (S.D.N.Y. 1976); *Classic Film Museum, Inc. v. Warner Bros., Inc.*, 597 F.2d 13 (1st Cir. 1979), aff'g. 453 F.Supp. 852 (D. Me. 1978); *Fitch v. Shubert*, 20 F.Supp. 314 (S.D.N.Y. 1937); *Gilliam v. American Broadcasting Companies, Inc.*, 538 F.2d 14 (2d Cir. 1976).

All but one of the foregoing cases arose in the Second Circuit. Thus, there is no conflict between the Second and the Ninth Circuits. That petitioners find *Rohauer* to be at odds with these cases is a function of their attempt to distort the facts to comport with *Rohauer*. No fair reading thereof will support such legerdemain.

B. The Right to Enjoy Physical Property Does Not Give the Possessor the Right to Intangible Copyright Interests Concededly Not Acquired With the Physical Property or to Commit Acts of Copyright Infringement.

For the most part, petitioners' second argument is answered by the preceding discussion. The right to transfer the physical embodiment of a copyrighted work does not carry with it the intangible rights conferred by copyright. 17 U.S.C. §202.

Petitioners' suggestion [Petition, p. 13] that it is inconsistent for the Court of Appeals to assume lawful acquisition by petitioners of the prints notwithstanding the conceded lack of privity with Metro-Goldwyn-Mayer and/or Lowe's is difficult to understand. The Court of Appeals indulged in said presumption for the benefit of petitioners. It could just as easily have found from the facts shown that the

acquisition was unlawful. Indeed, the evidence showed that petitioners knew that industry practice is to lease and not sell prints, that petitioners knew this when the prints were purchased, the prints were purchased at a price barely above cost of raw film stock, and the prints were "dupes". CR 288:7-9; 246:13-22; 404:4-25. See also *United States v. Drebin*, 557 F.2d 1316, 1323-1324, 1332 (9th Cir. 1977).

In any event, petitioners' assertion that lawful acquisition prevents "presumption of lack of privity" is a perversion of the opinion and of the facts. The *fact* is that there was no privity between Metro-Goldwyn-Mayer and/or Loew's and petitioners. The *assumption* (gratutious to petitioners) was that of lawful acquisition. Petitioners' attempt to reverse the situation to suit their argument should not be condoned.

Petitioners' claim that they have been denied due process rights to enjoy property is equally misguided. The gravamen of petitioners' conduct was not the (assumed) lawful acquisition, but the further use of the property acquired in violation of the exclusive rights of respondents. 17 U.S.C. §§106 and 501. The issue here is not quiet enjoyment of property, but the misuse thereof to harm others. There would have been no lawsuit here if petitioners had merely sought to use the prints for their own private enjoyment.

C. Petitioners' Freedom of Speech Is Not Abridged by Preventing Them From Committing Acts of Copyright Infringement.

Petitioners cite no authority for the proposition advanced for the first time in this petition that copyright infringement is a protected form of speech. There is no such authority.

Copyright protection applies only to *expression*; it does not extend to the *ideas* contained in a copyrighted work. 17 U.S.C. §102(b). Thus, petitioners may use the ideas found in PYGMALION, but they may not pirate the expression thereof exclusively reserved to respondents and their

predecessors by the Constitutionally sanctioned copyright laws. U.S. Const. Art. I, §8, cl. 8. See *Zacchini v. Scripp-Howard Broadcasting Co.*, 433 U.S. 562, 573, 97 S.Ct. 2849; 53 L.Ed 2d 965 (1977); *Robert Stigwood Group Ltd. v. O'Reilly*, 346 F.Supp. 376 (D. Conn. 1972), rev'd. on other grounds, 530 F.2d 1096 (2d Cir. 1976), cert. den. 429 U.S. 848 (1977); *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1170 (9th Cir. 1977); and 67 *Cal. Law Review* 283 "Copyright and Free Speech: Constitutional Limitations on the Protection of Expression."

Petitioners' speculation concerning potential diminution of competition bolstered by matters outside the record[5] is irrelevant. As the Court of Appeals pointed out, its decision protecting copyright proprietors from acts of infringement:

> ". . . does not conflict with the limited monopoly policy rooted in the copyrights clause of the constitution and advanced in the congressional acts."

D. Respondents' Limited Monopoly Protection on PYGMALION Is Precisely What Is Protected by the Copyright Act.

Petitioners' fourth ground of their petition [pp. 15-17] is a *non sequitur*. Once one recognizes that the ownership of a physical object such as a film print does not carry with it the exclusive rights protected by the intangible copyright (17 U.S.C. §106), it is obvious that mere possession of the physical item does not protect against invasion of the distinct statutory rights.

The expiration of the derivative motion picture copyright does not dedicate to the public domain those significant

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[5]Janus' rental prices are not in the record, and no evidence was ever submitted by petitioners that all or any "competition has been extinguished."

portions of the overall work embodied in the underlying (and still protected) expression. *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir.), cert. den., 342 U.S. 849, 72 S.Ct. 77, 96 L.Ed. 641 (1951); 1 *Nimmer on Copyright* §3.07[C], p. 334 (1979). As the Court of Appeals pointed out:

> "A copyright proprietor has an exclusive monopoly over *all* uses of the protected work . . ." 612 F.2d 1128 fn. 16.

As above mentioned, the limited monopoly in respondents is precisely what is contemplated by the Copyright Act, and it has been violated by petitioners' exploitation of PYGMALION.

E. The Public Will Not Be Denied Access to Film Classics by Upholding the Decision Herein.

Although the request leading up to the copyright report (referred to in the Petition, p. 18) was never produced by petitioners on the motions for summary judgment, said request did not ask for the copyright status of the *work* PYGMALION, but, rather, the derivative production, the motion picture. This may be seen from the paragraph of the report not quoted by petitioners. Thus, it states in pertinent part that PYGMALION is:

> "Presented by Metro-Goldwyn-Mayer, 1938. *9 reels, sound, black and white*. Based on the play by Bernard Shaw. Credits . . . *screenplay* and dialogue, Bernard Shaw; adaptation, W. P. Lipscombe, Cecil Lewis, Ian Dalrymple; *film* editor, David Lean; . . ." Emphasis supplied.

Even the least sophisticated person would realize that this refers to a search of *motion picture* records.

The further statement in the report that a search of the renewal indexes did not disclose a renewal "relating to this

entry'' is correct. The film copyright was not renewed. Said indexes could not have been expected to disclose information about the copyright renewal on the play for they are in different indexes. Under the 1909 Copyright Act, motion picture films were registered under classification ''L'' and dramatic works under classification ''D''. See former 17 U.S.C. §5 and CFR, Title 37, §§202.3(c), 202.7 and 202.15. Thus, the 1913 Shaw play copyright is identified by a ''D'' number [CR 69] and the film is identified by an ''L'' number. CR 133.

Therefore, even if petitioners had purchased prints of PYGMALION after receiving a copy of the copyright search, they would not have been justified in relying thereon in the absence of a search of the Copyright Office records into the underlying work. Moreover, they knew throughout the state court proceeding that the film copyright had expired, and Janus relied upon the viability of the copyright renewal on the underlying work. CR 531, fn. 1.

Thus, petitioners' argument that the public interest will suffer if potential film distributors of classic works must ''search beyond the information from the copyright office'' is erroneous. Petitioners knew and advertised PYGMALION as an ''adaptation'' of the play. Thus, it would have been a simple task for them to refer to the play and obtain the correct information. Moreover, it is a small price to pay to ask those distributors relying on public domain works as a source for their catalogue to undertake the burden of properly researching copyright.

F. Since Both Parties Agreed That Petitioners' Actual Profits Were Not $3,700, the Use of an Estimate in That Amount as Actual Profits Was Incorrect.

It is submitted that if this Court determines to grant *certiorari*, it should do so only on the issue of damages to

correct plain error. U.S. Sup. Ct. Rule 40.1(d)(2), 28 U.S.C.A. The Court of Appeals misapplies the rule that ''in lieu'' statutory damages are mandatory where both defendant's profits and plaintiff's damages are unascertained. 612 F.2d 1130.

Said conclusion is factually incorrect because in this case both profits and damages were unascertained. The Court of Appeals' determination that the defendants' profits were ascertained is inconsistent with the fact that it is based upon an *estimate* of the number of bookings. Petitioners contended that an extensive inspection of their records revealed that their *actual* (although unverified) profits were only $153.96. 612 F.2d 1123, fn. 23. Nevertheless, to reach the desired result, the Court of Appeals considered the concededly *estimated* figures as determinative of *actual* profits and disregarded petitioners' denial that estimated profits were correct.

While respondents agree that it was proper to reject petitioners' claim of actual profits, it is clear therefrom that *both parties agreed that the estimate of profits in the stipulation was not reflective of actual profits*. Therefore, since defendant's profits and plaintiff's damages were both unascertained, utilization of the statutory measure was the only proper approach.

The present decision is contrary to the Ninth Circuit decision in *Shapiro, Bernstein & Co. v. 4636 So. Vermont Ave., Inc.*, 367 F.2d 236, 240 (9th Cir. 1966), where it was said that:

> ''the judicial discretion to be employed in choosing between proven profits and damages on the one hand and the statutory limits on the other only comes into play when profits *and* damages have actually been

proved, and unless they have, the court *must* apply the statutory standard.''

To support this language the court relies upon three decisions of this Court. *Westermann Co. v. Dispatch Co.*, 249 U.S. 100, 39 S.Ct. 194, 63 L.Ed. 499 (1919); *Jewell-LaSalle Realty Co. v. Buck*, 283 U.S. 202, 51 S.Ct. 407, 75 L.Ed. 978 (1931); *Douglas v. Cunningham*, 294 U.S. 207, 55 S.Ct. 365 (1935). The Second Circuit has construed the *Jewell-LaSalle* case and this Court's decision in *F. W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 234, 73 S.Ct. 222, 97 L.Ed. 276 (1952), as holding that:

> ''. . . where profits are not actually acertained, or where damages are not proved, 'in lieu' statutory minimum damages *must* be awarded.'' *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1101 (2d Cir. 1976).

Although the quoted language in *Shapiro* is disregarded as ''dicta'' (612 F.2d 1129), it cannot be so lightly regarded. In *Robinson v. Bantam Books, Inc.*, 339 F.Supp. 150, 156 (S.D.N.Y. 1972), the court regarded that language as a ''holding''. See also *Iowa State University Research Foundation, Inc. v. American Broadcasting Companies, Inc.*, 475 F.Supp. 78, 81 (S.D.N.Y. 1979).

In view of the foregoing, it is apparent that the Ninth Circuit has decided to depart from the holdings of this Court and the Second Circuit as well as from other decisions in the Ninth Circuit.

V.

Conclusion.

In *Rohauer* the court concluded that the equities weighed in favor of the defendants. In so doing, it made an observation germane to the situation of the petitioners in this case (at p. 493):

> ''. . . the equities lie preponderantly in favor of the proprietor of the derivative copyright. In contrast to the situation where an assignee or licensee has done nothing more than print, publicize and distribute a copyrighted story or novel, a person who with the consent of the author has created an opera or a motion picture film will often have made contributions literary, musical and economic, as great as or greater than the original author.''

Petitioners' situation here resembles that contrasted by the court in *Rohauer*. They do not now and never did own any copyright interest in either the underlying or derivative works. They never acquired any motion picture rights. And they never made any contribution to the film. Petitioners paid but $165.00 for each print of the film. Their ''acquisition'' thereof was totally undocumented, and the prints obtained were ''dupes''. Thus, petitioners stand practically naked before this Court piously asserting rights neither acquired nor created. They are but one step removed from the person who pirated[6] the films in the first instance.

Respectfully submitted,
KATZ, HOYT & BELL AND
MITCHELL N. REINIS,
Attorneys for Respondents.

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[6]''Pirate'' is an apt term as it is synonymous with ''infringement''. *United States v. Drebin*, 557 F.2d 1316, 1332 (9th Cir. 1977).

APPENDIX 1.

Memorandum Opinion.

United States District Court, Central District of California.

Cyril Russell, etc., et al., Plaintiffs, v. Daniel A. Price, et al., Defendants. No. CV 75-1600-JWC.

Filed: Sept. 20, 1977.

This action for copyright infringement comes before this court on a motion for summary judgment based upon the following undisputed facts.

In 1913, George Bernard Shaw registered a copyright on his stage play, "Pygmalion", which copyright was renewed in 1941. It was originally due to expire in 1969, but it has been extended by an Act of Congress and is currently in effect. George Bernard Shaw died in 1950 and the current proprietors of the copyright are the legatees under his will, public trustees for the British Museum, the National Gallery of Ireland and the Royal Academy of Dramatic Art.

In 1938, the author licensed the production and distribution of a movie to be based on his play on terms which do not appear in the record. This movie was produced by Gabriel Pascal and starred Wendy Hiller and Leslie Howard. The film was copyrighted by Metro, Goldwyn, and Mayer and Loew's, Inc., but in 1966 this copyright was allowed to expire. When and if the license from George Bernard Shaw to M.G.M expired is not disclosed. In any event, in 1971, the copyright proprietors of the play granted a license to Janus Films, Inc. to distribute the film. Janus had purchased prints of the film from the widow of the producer, Gabriel Pascal.

In 1972, it came to Janus's attention that a defendant in the instant action, Budget Films, Inc., was distributing copies of the film which it had obtained from some unknown

source. In December, 1972, Janus commenced an action in the California state court, alleging unfair competition. This action was eventually terminated in Budget's favor, upon a finding that the action was in essence one for copyright infringement over which the state courts lacked jurisdiction. The English copyright proprietors thereupon executed a power of attorney in favor of Janus, and Janus brought an action for copyright infringement in this court against Budget Films, Inc. and the other named defendants.

The defendants' defense as alleged in their answer is that when the copyright on the film expired, the film fell into the public domain free of any claims, not only of the copyright proprietors of the film, but also the proprietors of the play as well.

The issue, therefore, is whether or not the owner of the copyright on an underlying work can assert his claim against the owner of a derivative product once the derivative product has fallen into the public domain.

It appears to be well established that if one intends to create and commercially exploit a work that is derivative of a copyrighted work, a license to do so must be obtained from the owner. This license is simply permission to use a part or all of the original work, which otherwise the copyright laws would prohibit. If the derivative work is copyrighted, the owner of the derivative work is entitled to protection only as to such new matter as may be attributable to the creator of the derivative work. If, then, the copyright on the derivative work should expire while the copyright on the underlying work is still in effect, the new matter falls into the public domain, while that which has been derived from the underlying work remains protected by the copyright on the underlying work. Consequently, even though the derivative work may have fallen into the public domain, to the extent that it partakes of the original work it cannot be

used without the consent of the proprietor of the underlying copyright. *See Nimmer on Copyright*, Sec. 45.3, Notes 73-79, *Grove Press, Inc. v. Greenleaf Publishing Co.*, 247 F.Supp. 518 (E.D.N.Y. 1965).

Defendants' reliance upon *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2nd Cir. 1977), is misplaced. In that case the author of "The Sons of the Sheik" sold and assigned the movie rights in her novel to a producer who in the following year produced the highly successful Rudolph Valentino film, "Son of Sheik". As a part of the assignment agreement, which was executed in 1925, the author agreed to renew her copyright on the book and thereupon to assign the movie rights to the producer for the renewal period. However, the author died in 1952 prior to the expiration of the first copyright on the book. It was, however, renewed by her daughter, her sole surviving child, who in turn assigned all of her right, title, and interest in the work to Rohauer, the plaintiff.

In 1966 Rohauer objected to the distribution of the film as being in derogation of its rights under the copyright law. In a lawsuit precipitated by the broadcast of the film in 1971 on WNET, the New York City Educational Television Station, Judge Friendly upheld the film owner's right to display the film over the objection of the proprietor of the underlying copyright.

But *Rohauer* is not in point. Judge Friendly, very carfully framed the issue by saying:

> "The issue is this: When the author of a copyrighted story has assigned the motion picture rights and consented to the assignee's securing a copyright on motion picture versions, with the terms of the assignment demonstrating an intention that the rights of the purchaser shall extend through a renewal of the copyright on the story, does a purchaser which has made a film and

obtained a derivative copyright and renewal copyright thereon infringe the copyright on the story if it authorizes the performance of the copyrighted film after the author has died and the copyright on the story has been renewed by a statutory successor under 17 U.S.C. §24, who has made a new assignment of motion picture and television rights?'' 551 F.2d 485-86

The decision in *Rohauer* turned on the question of whether the author of a copyrighted work can agree as to terms for its use which may be enforceable against her heirs or successors after her death. Judge Friendly, relying upon the author's clear intent to grant movie rights for a period beyond the expiration of the original copyright and through the period of its renewal, held that such an agreement could be enforced against the heirs and successors of the original copyright holder.

The case before us presents no such problem and there is nothing in the *Rohauer* case, nor in any other case which has been brought to our attention, contrary to the solution which we have hereinabove set forth.

Defendants have asserted two additional defenses. They have questioned the standing of Janus Films, Inc. to prosecute this action. However, not only does Janus have a duly executed power of attorney to do so, it is well settled that an exclusive licensee such as Janus Films may sue for copyright infringement so long as it joins the copyright proprietors.

Lastly, defendants assert that this action should be barred by laches. However, the controversy is one of long standing and the plaintiffs have agressively sought to protect their interests, first in the state court and now in this court. This is not an appropriate case for the application of the laches doctrine.

I conclude, therefore, that the plaintiffs are the rightful proprietors of a present and existing copyright upon the play, ''Pygmalion'', and that the showing of a film based upon the play without their consent constitutes an infringement of this copyright.

It appearing, therefore, that no genuine issue as to any material fact remains to be litigated and that the plaintiffs are entitled to a partial judgment on the issue of infringement as a matter of law, a partial judgment in favor of plaintiffs on this issue shall be granted.

DATED: September 19, 1977.

/s/ Jesse W. Curtis
JESSE W. CURTIS
United States District Judge

APPENDIX 2.

Memorandum Opinion.

United States District Court, Central District of California.

Cyril Russell, as Trustee of the Royal Academy of Dramatic Art, The Right Honourable Eric George Molyneux Baron Fletcher P.C., as Trustee of the British Museum, Terence De Vere White, as Trustee of the National Gallery of Ireland, and Janus Films, Inc., a corporation, Plaintiffs, v. Daniel A. Price, Albert C. Drebin, Ellen Drebin, Sarb Corporation, a corporation, and Budget Films, Inc., a corporation, Defendants. No. CV 75-1600-JWC.

Filed: May 16, 1978.

In a Memorandum Opinion filed September 20, 1977, this court granted partial summary judgment in favor of plaintiff ruling that the defendants were guilty of copyright infringement for exhibiting the 1938 film of *Pygmalion*. The court thereafter issued an injunction against further commercial use of the film by defendants. This left only the issue of monetary damages and attorney's fees for the court's determination. Having gone through several apparently difficult months of attempting to make discovery, plaintiffs are now bringing a motion for summary judgment of these remaining issues.

The motion is predicated upon the assumption that plaintiffs may elect to take statutory ''in lieu'' damages under former Title 17 U.S.C. §101(b) rather than the actual damages or infringers' profits to which they would otherwise be entitled. Plaintiffs are seeking payment of an amount somewhere between the statutory minimum of $250.00, and the maximum of $5,000.00 for each performance of *Pygmalion* for which the defendants were responsible.

Contrary to plaintiffs' assumption, it is not entitled to simply elect to receive ''in lieu'' damages. A right to such damages only inures to the copyright owner in case neither actual damages nor infringers' profits are ascertainable. *See Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977).

Since plaintiffs' profits can be ascertained with some reasonable degree of certainly from the record before us, this court is not compelled to award ''in lieu'' damages, but may, in its discretion, elect to award damages based upon the infringers' profits.

According to the stipulation on file herein, the parties have agreed that for the purposes of this suit, the defendants have booked *Pygmalion* 106 times from May, 1972 until October, 1976, at $25.00 per booking for a total of $2,650.00, and have booked the said production during the period from October, 1976 until December, 1977 on 30 occasions for which they received a booking fee of $35.00 per booking for an additional amount of $1,050.00, or a total of $3,700.00. From these total gross receipts, defendants should be entitled to deduct any expenses directly incurred in implementing these bookings. However, notwithstanding defendants' burden of doing so, it has failed to furnish this court with acceptable evidence of any such cost. Defendants have only furnished the court with an undocumented profit figure, presumably derived from defendants' entire operations. Rejecting this evidence of estimated costs, I find that defendants' profit resulting from this infringement is the sum of $3,700.00.

IT IS THEREFORE ORDERED that judgment be for plaintiffs and against the defendants in the sum of $3,700.00 for damages, and the sum of $ ———— for attorneys' fees together with costs of suit. Plaintiffs' attorneys shall prepare

appropriate findings of fact, conclusions of law, and judgment. DATED: May 12, 1978.

/s/ Jesse W. Curtis
JESSE W. CURTIS
United States District Judge

APPENDIX 3.

Memorandum.

United States District Court, Central District of California.

Cyril Russell, as Trustee of The Royal Academy of Dramatic Art, The Right Honourable Eric George Molyneux Baron Fletcher P.C., as Trustee of the British Museum, Terence De Vere White, as Trustee of the National Gallery of Ireland, and Janus Films, Inc., a corporation, Plaintiffs, v. Daniel A. Price, Albert C. Drebin, Ellen Drebin, Sarb Corporation, a corporation, and Budget Films, Inc., a corporation, Defendants. No. CV 75-1600-JWC.

FILED: May 26, 1978.

The plaintiffs have requested an allowance for attorneys' fees in this case. After due consideration, the court finds that under the circumstances an award of $10,000.00 attorneys' fees is fair and reasonable. The Clerk is directed to insert in the Memorandum Opinion heretofore filed herein the sum of $10,000.00 as and for attorneys' fees.

DATE: May 25, 1978.

/s/ Jesse W. Curtis
JESSE W. CURTIS
United States District Judge